



AR17

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Board of Directors

D. B. Collier, Edmonton
Vice-President and General Manager, Northwestern Utilities, Limited

R. N. Dalby, Edmonton
Senior Vice-President, Northwestern Utilities, Limited

J. C. Dale, Edmonton
Vice-Chairman, Northwestern Utilities, Limited

F. T. Jenner, Edmonton
President, Jenner Motors Co. Limited

E. W. King, Edmonton
President, Northwestern Utilities, Limited

K. L. MacFadyen, Calgary
Senior Vice-President Finance, Northwestern Utilities, Limited

J. E. Maybin, Edmonton
Chairman and Chief Executive Officer, Northwestern Utilities, Limited

A. R. McBain, Edmonton
President, McBain Camera Specialty Ltd.

W. S. McGregor, Edmonton
President, Numac Oil & Gas Limited

J. L. McIntyre, Edmonton
President, John L. McIntyre Insurance Ltd.

R. M. Parsons, M.D., Red Deer
Parsons Clinic

J. M. Seabrook, Salem, New Jersey
Chairman and President, International Utilities Corporation

D. B. Smith, Calgary
Senior Vice-President Operations, Northwestern Utilities, Limited

M. E. Stewart, Philadelphia, Pa.
President, General Waterworks Corporation

D. K. Yorath, Edmonton
Chairman of the Executive Committee, Vice-President, International Utilities Corporation

Honorary Directors

H. R. Milner, Q.C., Edmonton
Honorary Chairman of the Board, Northwestern Utilities, Limited

O. C. McIntyre, Edmonton
President, Capital City Box Co. Ltd.

A. G. Stewart, Edmonton
Senior Partner, Stewart, Weir, Stewart & Watson

Officers

J. E. Maybin, Chairman and Chief Executive Officer

~~J. C. Dale, Vice-Chairman~~ *in Pakistan*

E. W. King, President

K. L. MacFadyen, Senior Vice-President Finance *Calgary*

R. N. Dalby, Senior Vice-President

D. B. Smith, Senior Vice-President Operations *Calgary*

D. B. Collier, Vice-President and General Manager

B. W. Snyder, Vice-President — Engineering and Rate Administration

J. H. Pletcher, Vice-President — Gas Supply

A. M. Anderson, Controller

C. L. Metcalfe, Secretary and Treasurer

J. E. Roberts, Assistant Secretary

B. T. Banks, Assistant Treasurer

OUR COVER: It's a long way down but in the distance is Grande Cache, where major coal resources are being developed. Northwestern is building a pipeline to supply natural gas to the mine for drying coal. Checking the pipeline on the crest of the highest slope is Ernie Jackson, company inspector.

Pipeline construction in Ryley during replacement in 1969 of several miles of original 46-year-old Viking to Edmonton transmission line.



HIGHLIGHTS IN REVIEW

	<u>1969</u>	<u>1968</u>	<u>1967</u>	<u>1966</u>	<u>1965</u>	<u>1959</u>
Customers at Year End	135,299	130,047	125,124	121,218	117,254	89,209
Natural Gas Sales (thousands of cubic feet)	96,333,941	83,949,345	86,279,958	79,628,406	75,362,046	54,984,118
Revenue	\$ 30,429,899	\$27,220,156	\$27,161,182	\$26,065,641	\$24,808,726	\$14,699,039
Net Income	\$ 4,512,494	\$ 3,648,192	\$ 3,261,915	\$ 3,588,652	\$ 3,915,085	\$ 2,533,187
Earnings Per Common Share						
From operations	\$ 2.10	\$ 1.78	\$ 1.67	\$ 1.86	\$ 2.04	\$ 1.24
Total, including gain on sale of investments	\$ 2.40	\$ 1.90	\$ 1.67	\$ 1.86	\$ 2.06	\$ 1.24
Gross Additions to Plant — Annual	\$ 6,241,168	\$ 4,509,789	\$ 4,267,731	\$ 3,272,209	\$ 5,336,280	\$ 4,483,066
Gross Plant	\$102,474,796	\$96,858,453	\$93,093,629	\$89,273,626	\$86,288,646	\$63,449,958
Miles of Pipeline	4,177	3,812	3,303	3,044	2,959	2,312
Maximum Daily Demand (thousands of cubic feet)	493,269	495,191	426,647	395,486	384,918	291,293
Communities Served	113	109	103	92	85	68
Population Served	575,000	554,000	530,000	512,000	499,000	372,000

TO THE SHAREHOLDERS

The \$30,430,000 1969 revenue from gas sales is a 12% increase over 1968 and was substantially higher than had been anticipated at the beginning of the year. The \$3.2 million increase was very significantly influenced by the exceptionally cold weather in the first part of the year but as much as \$2 million of the total increase is estimated to be due to basic market growth.

The greatest gains were experienced in the industrial sales sector where sales volume increased by 20%. The 5,252 new customers, however, represent the largest gain for the past seven years and this, together with a new record-setting level of building permits indicates that the industrial growth is being accompanied by extensive domestic and commercial expansion.

Operating expenses, including depreciation and taxes, amounted to \$25,076,000. The gas supply for the company is obtained partly from the company's own production and partly by purchases from other companies. In 1969 the total amount spent on the portion purchased from other companies was \$9,771,000, and this item alone represents a \$1,080,000 increase above the previous year.

This, plus the combined effect of expanded operations, higher wages, material costs and taxes, resulted in a total increase in expenses over the previous year of \$2,620,000.

Net income from operations for the year 1969 amounted to \$4,001,000 as compared to \$3,455,000 for the previous year. A gain on the sale of investments added \$512,000, to bring the total net earnings for the year to \$4,513,000.

In order to retire outstanding bank loans and obtain some funds for the 1970 construction program, an \$8,000,000 issue of first mortgage bonds was sold in December, 1969. This was the first long-term financing undertaken by the company since May, 1967. The fact that the coupon rate for this type of security has increased from 6½% to 9¾% in that period of time is a very clear example of the problem faced under present day conditions by utilities, all of whom must raise a very large percentage of their funds through the sale of debt securities.

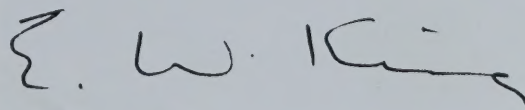
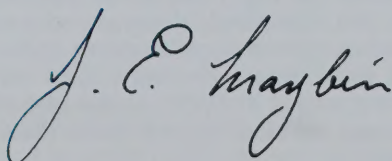
During the year the income tax rebate system, which has been expected since the necessary legislation was passed in 1966, came into operation. The overall cost of gas service to all customers being served by the company is now being reduced each month by the tax rebates which are being distributed to them in accordance with the regulations established by the Alberta Government.

Certain sections of the White Paper on Tax Reform relating directly to electrical, gas and steam utilities and income tax rebates have caused a great deal of concern on the part of all utility shareholders since the report was issued in November, 1969. These particular sections will effectively deny any tax credit for dividend income for both preferred and common shareholders of utility companies. This has created a difficult financing situation for which the only apparent solution, if the proposals are adopted, is one that leads ultimately to higher costs to the consumer. Strong representations are being made on a company and industry-wide basis to resolve the situation by obtaining the same tax credit treatment for utility shareholders as for investors in any other enterprise.

In July, 1969, the senior management of the company was integrated with that of three affiliated companies also operating principally in Alberta. These are Canadian Utilities, Limited; Northland Utilities Limited; and Canadian Western Natural Gas Company Limited. At that time E. W. King, R. N. Dalby, and D. B. Smith joined the board of Northwestern Utilities, Limited.

Once more, the directors wish to express their appreciation to a loyal, dedicated and competent staff on whose skill and ability we depend to carry out our company's objective of safe and reliable service to the public.

By Order of the Board of Directors,



J. E. Maybin, Chairman
March 3, 1970

E. W. King, President



THE YEAR IN REVIEW



Crawling up a mountain is construction equipment building line to McIntyre Porcupine Mines Ltd. at Grande Cache. At bottom is view of the mine buildings.



GAS SALES

Natural gas sales in 1969 were 96.3 billion cubic feet, an increase of 12.4 billion cubic feet from 1968. The major reasons for the large increase this year were an additional 7.0 billion cubic feet in sales to special industrial customers, and the effect of a colder than normal year on heating customers.

The fertilizer plant of Imperial Oil Limited at Redwater, northeast of Edmonton, completed its first full year of operation and is now second only to the City of Edmonton power plant as our largest customer. Sales to the power plant increased 2.2 billion cubic feet to 20.5 billion cubic feet for the year. In January sales to the power plant reached a new daily record of 66 million cubic feet.

Natural gas sales to residential and commercial customers are largely heating sales and these are affected directly by temperature. The average temperature in the Edmonton area in 1969 was 35.5 degrees . . . 2.6 degrees colder than 1968 and 1.3 degrees colder than the long-term average.

The company continues to add substantially each year to the number of customers it serves in Central Alberta. After making adjustment for the effect of colder than normal weather in 1969, and the addition of a new large industrial customer, the natural gas sales increase for 1969 due to basic market growth was approximately 7.3 per cent.

The following table shows sales by class of customer in 1969:

	Billion Cubic Feet	Percent of Total
Residential	25.9	27
Commercial	29.6	31
Industrial	40.8	42
	<u>96.3</u>	<u>100%</u>

In 1969 the company added 5,252 new customers to the system, bringing the total number served at year-end to 135,299. Extensive development in the areas of Sherwood Park and Spruce Grove was one of the main causes of the unusually large growth. The company's program of extending service to rural customers continued to show a consistently high level of growth, with 696 new rural customers being added in 1969. At the end of 1969 the company was serving slightly more than 5,000 rural customers.

Four new communities were added to the system during the year, bringing the total now served to 113. The new communities were Amisk, Czar and Hughenden, southeast of Edmonton, and Lodgepole, southwest of Drayton Valley. They will add 278 new customers.

A peak demand of 493 million cubic feet per day was experienced on January 29. This was only two million cubic feet less than the record set a month earlier, on December 28, 1968. January, 1969, was an unusually cold month. The average temperature in Edmonton for January was 15.3 degrees below zero while the normal temperature is 6.6 degrees above zero.

MARKETING

In spite of tight money and high interest rates, the Edmonton area continued to set new construction records in 1969. Building permits for the City of Edmonton, including the University of Alberta, climbed to an all time high of \$169,000,000, an increase of \$2,400,000 over 1968. This was the sixth consecutive year that a record mark was reached. Commercial and institutional construction rose \$10,000,000 over 1968. Apartment construction also was up \$10,000,000, offset by an \$18,000,000 decrease in single family dwellings.

The increase in apartment construction and the decrease in constructing single family dwellings reflected the shortage of serviced residential lots within the city. Offsetting the decrease in single family dwellings has been the large increase in the dormitory communities of St. Albert, Sherwood Park, and Spruce Grove. Building permits in these areas adjacent to the city rose from \$14,900,000 in 1968 to \$27,200,000 in 1969.

The Province of Alberta announced late in 1969 that, through the Alberta Housing and Urban Renewal Corporation, it had acquired 4,200 acres of land adjacent to the city's southern boundary. This land will be held until Edmonton is prepared to release it to builders as fully serviced lots. It is expected the acquisition of this land will relieve the present shortage of serviced lots and help lower the overall cost of housing.

The construction of high rise apartments established a new record in 1969 with 21 units added to our system during the year. No abatement of construction in this area is expected in 1970 as construction already has been started on the 38-story \$5,000,000 Bellamy Hill Tower adjacent to the Chateau Lacombe Hotel, as well as two luxury con-



Plowing equipment speeds installation of plastic pipe to serve rural customers.



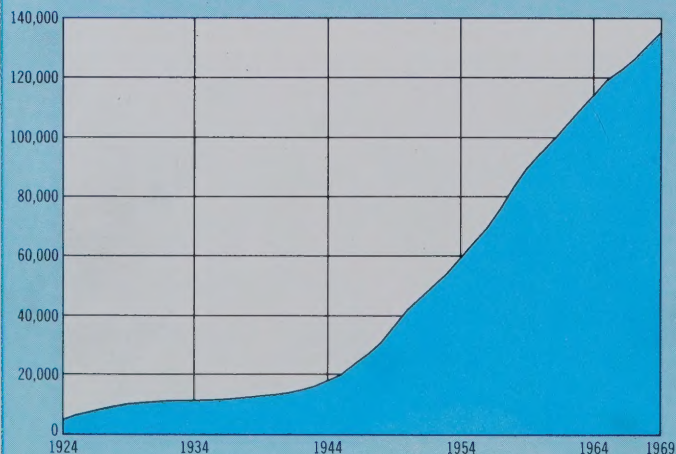
Heart of Edmonton distribution system is No. 1 Gate Station, where supplies from gas fields are regulated to meet fluctuating customer requirements.





Construction in Edmonton continues at record pace. Building permits in 1969 reached an all time high of \$169,000,000.

CUSTOMER GROWTH



dominium apartments valued in total at \$5,500,000. In addition, seven other high rise towers are under construction throughout the city.

The skyline of the downtown area continued to change during the year with the addition of three major office buildings, the Baker Centre and the Cambridge and Oxford buildings. During the year over 700,000 square feet of modern office space became available of which 620,000 square feet have been leased.

A number of exciting proposals have been presented for further development in midtown core. These include a twinning of CN tower, development of the air space over the CN tracks and Project Century. Project Century, a \$50,000,000 scheme envisages a 42-story apartment tower, a 30-story hotel, a 35-story office tower and a 10-15 story office building. The developer controls all the privately owned land in the two block area and presently is negotiating with the City of Edmonton for the remaining land controlled by the city.

The Yellowhead route, the new northern highway system passing through Edmonton is already generating increased commercial activity. This route, while longer than the Trans-Canada route through the Rogers Pass, has only four major uphill-downhill sections and these do not exceed 400 feet in height.

The Yellowhead route, with this advantage and its lighter snowfall and absence of landslide areas, represents a saving in time and gasoline for the trucking industry over trans-prairie trucking. Edmonton is in an excellent position as a distribution centre as the midway point between Winnipeg and Vancouver. The tangible benefits that can be linked to the Yellowhead route are behind the decision of Link Hardware to construct a \$750,000 distribution centre for Western Canada in the city, warehouse construction by D. H. Overmey and Canadian Freightways amounting to \$6,000,000 in the next three years and the consolidation of John Deere Limited and International Harvester Co. operations for Western Canada in Edmonton.

The demand for Alberta coal continues to increase. Existing contracts for export to Japanese markets will add well over \$1,000,000,000 in revenue to the province over the next 15 years. Of prime importance to Northwestern is the McIntyre-Porcupine complex 175 miles northwest of Edmonton. The coal from this area is recognized as being amongst the best metallurgical coking coal in the world. Northwestern is building a pipeline to supply

natural gas for drying of the coal after it has been washed to remove impurities.

Population of the area served by the company increased by 21,000 to 575,000. Edmonton, one of Canada's rapidly growing cities, showed an increase for the year of 3 per cent or 12,313. Population within the city's 84 square miles is now 422,400. In the Metropolitan Edmonton area of 196 square miles there are now more than 440,000 people.

The City of Edmonton's second power plant, located at Clover Bar in northeast Edmonton, will go on stream in the spring of 1970 and is designed for an initial peak gas load of 32 million cubic feet per day. The gas supply will be provided by our company.

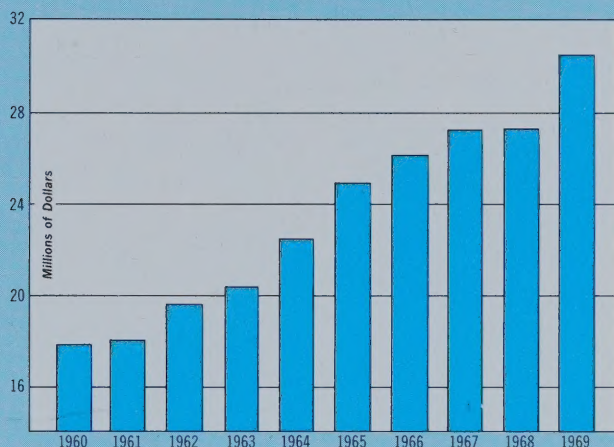
Construction of a new 80,000 barrel per day refinery of Gulf Oil Canada Limited is well under way. The new refinery replaces an existing 14,000 barrel per day plant. This addition will increase the refining capacity in the Edmonton area to over 125,000 barrels per day or 39 per cent of the capacity in western Canada.

During 1969, three separate companies announced plans to build gypsum plants to manufacture gypsum wallboard. The plants of BACM Industries Limited and Western Gypsum Limited are located in the industrial area east of the city and both have started using natural gas.

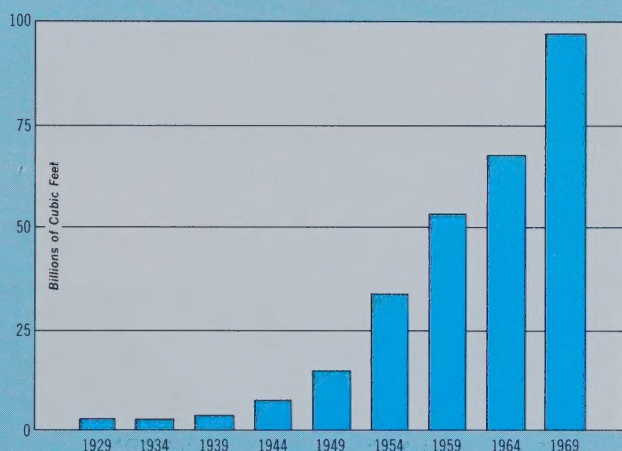
The growing importance of Edmonton as a distribution centre and as an important marketing area has led to an increasing number of diversified manufacturers to locate in the area. Kroehler Manufacturing Co. Ltd. is constructing a \$2,000,000 furniture plant to look after the Western Canada market. Automatic Business Forms Limited is building a \$1,250,000 plant to produce computer and business forms for the rapidly increasing Alberta computer industry.

The cattle and meat packing industry, a vital part of the Alberta economy also saw expansion during the past year. Alberta, with 26 per cent of the nation's cattle and calves, ships to all parts of Canada. F. G. Bradley Co. Ltd., Canada's largest supplier of specialty meats to hotels and restaurants, recently announced it would open processing facilities in Edmonton to be closer to the source of prime Alberta beef and thus be in a better position to compete with corn fed Iowa beef on the international market. Burns Foods Limited is constructing a new \$500,000 feed mill and Canada

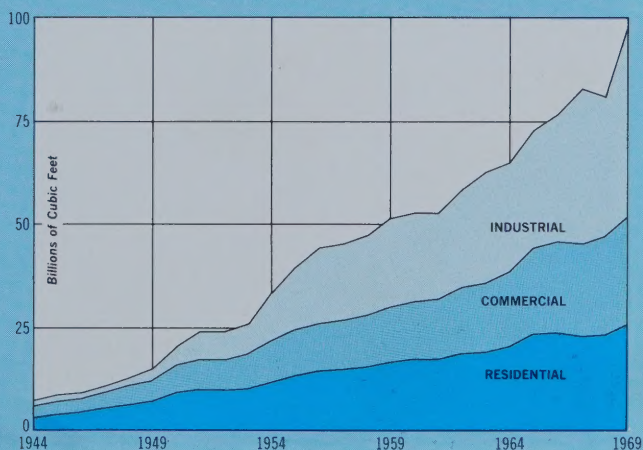
REVENUE



ANNUAL GAS SALES



GAS SALES BY CLASS OF CUSTOMER





On project location is E. F. Provost, manager of production and transmission.

Two interested spectators learn from employee D. L. Jones how natural gas is delivered to city homes.



Packers has opened a \$2,000,000 plant in Red Deer. The four major packing plants and seven smaller processing and rendering plants in Edmonton produce nearly 500 million pounds of product annually. Cattle and calf sales at the Edmonton public stockyards totalled 344,845 head last year, giving Edmonton's yards the second largest total in Canada after Toronto.

The Edmonton area had a prosperous year in 1969 and the prospects are bright for 1970.

GAS SUPPLY

At December 31, 1969, marketable gas reserves in fields connected to Northwestern Utilities' system were estimated to be 3,596 billion cubic feet.

During the past year approximately 75 per cent of Northwestern's total market requirement was available from gas processing plants in oil and gas fields connected to Northwestern's system. The amount of this type of gas available to Northwestern was more than could be utilized in Northwestern's market. As a result, under an arrangement with Alberta and Southern Gas Co. Ltd., 10 billion cubic feet were delivered during the year to Alberta and Southern at the inter-connection between our system and that of its carrier, The Alberta Gas Trunk Line Company Limited, in the Pembina area. This temporary arrangement with Alberta and Southern terminated in 1969, and in future years the company expects to be able to utilize all of the oil field gas delivered to our system under our present contracts.

The company obtained 36 per cent of its annual requirements from the dry gas fields, Viking-Kinsella, Beaverhill Lake, Fort Saskatchewan, Fairydell-Bon Accord and other minor sources. The gas from these fields was used to meet winter season peak loads. On the peak day these dry gas fields were called on to supply 64 per cent of the total system requirement.

In September the Craigend field in the Lac La Biche area began deliveries of gas to TransCanada PipeLines Limited for export from the province. The company owns some reserves in this field and has contracted to sell to TransCanada its share of the gas produced from this field. However, it has the contractual right to purchase from TransCanada any gas it may require from the field.

NEW CONSTRUCTION

Capital expenditures in 1969 were \$6,241,000, the largest annual investment in construction of new facilities since 1958.

The biggest single project in recent years was started in 1969. This was the 68-mile, eight-inch, pipeline that will take gas from the Simonette field to the McIntyre-Porcupine coal mine at Grande Cache, 175 miles northwest of Edmonton. This pipeline crosses some of the most rugged terrain in the province. At one point the line climbs a mountain that rises more than 2,000 feet in three miles, at times going up 30 per cent grades. Started in the fall of 1969, costing over \$2,000,000, this project is due for completion this spring.

A total of 364 miles of new pipelines was installed in 1969. Expenditures on the rural program were \$1,100,000 in 1969. Extensions, improvements and facilities to serve new urban customers cost \$1,406,000, plus an additional \$134,000 to connect the four new communities added in 1969.

At the end of 1969, the company's pipeline system totalled 4,177 miles, consisting of 238 miles of field lines, 1,351 miles of transmission lines and 2,588 miles of distribution mains.

Capital expenditures in 1970 are forecast at \$6,505,000. The company expects to add 4,800 new customers in 1970, of whom 600 will be rural customers. Facilities to serve the new urban customers are estimated at \$1,100,000 and to serve rural customers \$1,185,000.

CUSTOMER RELATIONS

The company continues its policy of striving to provide its customers with the finest possible natural gas service. This service policy is pursued on many fronts, ranging from appliance adjustments, safety inspections, homemaker assistance and kitchen planning, to demonstrations, public information, school information programs and distribution of literature.

In 1969 there was an increase in customer service calls to 83,570, as well as an increase in the number of premises surveyed to 17,980. During these surveys the company's expert servicemen checked ranges, water heaters, furnaces and other appliances numbering 42,289. In addition there were 385 school inspections. The sales department made more than 1,000 calls on new commercial buildings and restaurants. Home service section



Checking route of new city main is E. H. Wright, manager of distribution, left, with H. R. Ooley, sub-foreman.

Construction in residential area provides increased gas capacity for growing sub-divisions.





Examining meter is Graham Dale, right, manager of customer service and utilization, with Lucien Belanger, foreman.



Discussing gas accounts with employee is C. L. Metcalfe, secretary and treasurer.

New gas range features are checked by B. M. Dajoe, manager of sales and industrial development, with supervisor W. C. P. Wagner, lower left.



gave advice to more than 100,000 people by mail or telephone. Home economists conduct many kinds of demonstrations, ranging from food preparation to laundry hints and gourmet cooking. New approaches now launched include a new babysitting course in an effort to make the company known to teenagers. Home service is now working with the Edmonton welfare department in an effort to assist customers on a low income.

In 1969 telephone switchboard services were consolidated in one location in an effort to provide better service to the public.

The company's popular Magic Suitcase show, an entertaining demonstration of the many products made from natural gas, continues to prove popular and is in constant demand by schools, clubs and other organized groups. It has now been shown to more than 10,000 people.

Through the use of its computer equipment the company was able to institute bi-monthly meter reading throughout the system. Residential meters are now read every second month, with other readings being estimated. This will result in a significant reduction in meter reading costs. More and more customers are now taking advantage of the company's payment equalization plan whereby gas bills are equalized throughout the year. Some 21,400 customers are now paying their accounts this way.

Each new customer receives a customer information manual describing the many services offered. Other company literature tells the story of natural gas and its contribution to the Alberta economy. Leaflets in the many thousands, filmstrips and other material carry the story to students and others.

STAFF

In July, 1969, the four associated utility companies in Alberta — Canadian Western Natural Gas Company Limited, Northwestern Utilities, Limited, Canadian Utilities, Limited and Northland Utilities Limited were placed under common management. Senior appointments applicable to all four organizations were: John E. Maybin, Chairman and Chief Executive Officer; John C. Dale, Vice Chairman and Egerton W. King, President.

At December 31, 1969, there were 632 employees working in permanent positions. This is only a slight increase from the previous year. Many of the positions which became vacant during the course of the year were filled by employees through the company's established job posting system.

AUDITORS' REPORT TO THE SHAREHOLDERS

PEAT, MARWICK, MITCHELL & CO.

FINANCIAL
STATEMENTS

NORTHWESTERN UTILITIES, LIMITED

Montreal Trust Company

Edmonton, Alberta — Calgary, Alberta
Toronto 1, Ontario — Montreal 1, Quebec

Peat, Marwick, Mitchell & Co.

1002 Empire Building, Edmonton, Alberta

**BALANCE SHEET****December 31, 1969**

(with comparative figures for 1968)

ASSETS	1969	1968
Fixed assets:		
Property, plant, leases, rights, gas wells and equipment subject to amortization and depreciation, at cost	\$102,474,796	\$96,858,453
Less accumulated amortization and depreciation	32,911,561	30,728,696
Net fixed assets	69,563,235	66,129,757
Investments, not having market quotations, at cost	356,286	981,286
Current assets:		
Cash	370,715	344,691
Short-term investments, at cost	4,200,000	—
Marketable securities, at cost (quoted market value \$701,398; 1968 — \$772,556)	522,210	545,150
Accounts receivable	3,106,526	3,454,795
Due from parent and affiliated companies	1,157	7,343
Government of Canada special refundable tax	51,483	54,888
Materials and supplies, at average cost	947,260	812,115
Prepaid expenses	101,211	61,834
Total current assets	9,300,562	5,280,816
Accounts receivable due beyond one year	586,596	515,296
Unamortized debt discount and expense	849,405	508,792
Government of Canada special refundable tax, less current portion	—	48,954
On behalf of the Board:		
J. E. MAYBIN, Director		
E. W. KING, Director		
	\$ 80,656,084	\$73,464,901
See accompanying notes.		

LIABILITIES

	<u>1969</u>	<u>1968</u>
Capital stock and retained earnings:		
4% Cumulative preference shares, par value		
\$100 per share (note 1):		
Authorized—120,000 shares		
Issued—105,000 shares	<u>\$ 10,500,000</u>	<u>\$10,500,000</u>
Common shares, without par value:		
Authorized—3,000,000 shares		
Issued—1,700,000 shares	<u>4,250,000</u>	<u>4,250,000</u>
Retained earnings (note 2)	<u>19,927,883</u>	<u>19,167,389</u>
Total capital stock and retained earnings . . .	<u>34,677,883</u>	<u>33,917,389</u>
Long-term debt (excluding current maturities) (note 2)	<u>33,031,750</u>	<u>26,812,500</u>
Current liabilities:		
Loan payable to bank	<u>—</u>	<u>1,700,000</u>
Accounts payable and accrued charges	<u>2,397,304</u>	<u>1,647,757</u>
Accrued interest on long-term debt	<u>388,373</u>	<u>367,656</u>
Long-term debt—current maturities (note 2)	<u>1,624,250</u>	<u>1,218,250</u>
Due to parent and affiliated companies	<u>27,969</u>	<u>78,455</u>
Dividend payable	<u>1,870,000</u>	<u>1,870,000</u>
Income taxes (note 3)	<u>1,091,829</u>	<u>783,502</u>
Other taxes	<u>1,565,028</u>	<u>1,432,250</u>
Total current liabilities	<u>8,964,753</u>	<u>9,097,870</u>
Deferred income taxes (note 3)	<u>990,838</u>	<u>1,091,671</u>
Other liabilities:		
Consumer deposits	<u>1,042,980</u>	<u>983,438</u>
Miscellaneous	<u>282,750</u>	<u>379,960</u>
Total other liabilities	<u>1,325,730</u>	<u>1,363,398</u>
Contributions for extensions	<u>1,665,130</u>	<u>1,182,073</u>
	<u><u>\$ 80,656,084</u></u>	<u><u>\$73,464,901</u></u>

**STATEMENT OF EARNINGS**

YEAR ENDED DECEMBER 31, 1969

(with comparative figures for 1968)

	<u>1969</u>	<u>1968</u>
Natural gas sales	\$30,429,899	\$27,220,156
Operating expenses:		
Natural gas purchased	9,771,457	8,691,345
Operating	6,505,412	5,819,047
Maintenance	1,226,155	1,008,127
Directors' fees	18,450	14,300
Salaries of directors, officers and senior employees . . .	209,127	224,242
Legal fees and disbursements	12,474	15,901
Taxes — income (note 3)	2,793,000	2,430,000
Taxes — other than income	2,093,251	1,954,954
Depreciation exclusive of \$191,666 included in operating and other accounts (1968 — \$166,187)	2,446,348	2,297,780
	<u>25,075,674</u>	<u>22,455,696</u>
Net operating income	5,354,225	4,764,460
Other income:		
Gain on purchase of long-term debt	38,939	95,168
Gain on sale of marketable securities	511,698	193,280
Interest and dividends	143,835	139,036
Miscellaneous	63,630	51,778
	<u>758,102</u>	<u>479,262</u>
	<u>6,112,327</u>	<u>5,243,722</u>
Income deductions:		
Interest on long-term debt	1,489,989	1,528,161
Other interest	74,374	31,380
Debt discount and expense amortized	33,423	32,918
Premium on bonds redeemed	2,047	3,071
	<u>1,599,833</u>	<u>1,595,530</u>
Net earnings	<u>\$ 4,512,494</u>	<u>\$ 3,648,192</u>
See accompanying notes.		

STATEMENT OF RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1969
(with comparative figures for 1968)

	1969	1968
Balance at beginning of year	\$19,167,389	\$18,149,197
Add net earnings	4,512,494	3,648,192
	<u>23,679,883</u>	<u>21,797,389</u>
Deduct Dividends:		
4% Cumulative preference shares	420,000	420,000
Common shares	3,332,000	2,210,000
	<u>3,752,000</u>	<u>2,630,000</u>
Balance at end of year	<u>\$19,927,883</u>	<u>\$19,167,389</u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED DECEMBER 31, 1969
(with comparative figures for 1968)

	1969	1968
Funds provided by:		
Operations:		
Net earnings	\$ 4,512,494	\$ 3,648,192
Add depreciation and other charges, less credits, not involving cash	2,084,600	2,752,248
	<u>6,597,094</u>	<u>6,400,440</u>
Proceeds from disposal of fixed assets	43,882	76,926
Increase in non-current consumer deposits	59,542	71,043
Proceeds of 9¾% first mortgage sinking fund bonds, Series J, less expenses of issue	7,625,964	—
Proceeds of sale of investments	1,125,000	—
Increase in contributions for extensions	483,057	571,765
Government of Canada special refundable tax	48,954	49,805
Total funds provided	<u>15,983,493</u>	<u>7,169,979</u>
Funds applied to:		
Payment of dividends	3,752,000	2,630,000
Additions to fixed assets	6,123,283	4,411,685
Reduction of long-term debt	1,780,750	1,691,250
Increase in accounts receivable due beyond one year	71,300	—
Other	103,297	23,496
Total funds applied	<u>11,830,630</u>	<u>8,756,431</u>
Increase (decrease) in working capital	<u>\$ 4,152,863</u>	<u>\$ (1,586,452)</u>
See accompanying notes.		



NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1969

1. The 4% cumulative preference shares are redeemable at the option of the company on thirty days' notice at \$103 per share.
2. Long-term debt:
Long-term debt at December 31, 1969 is summarized as follows:

	Total Amount	Current Maturities
First mortgage sinking fund bonds:		
Series B — 3½% due December 15, 1971	\$ 859,000	\$ 204,750
Series C — 3½% due December 15, 1971	423,000	91,000
Series D — 3⅝% due December 15, 1971	1,257,500	227,500
Series E — 3⅝% due December 15, 1975	2,010,000	235,000
Series F — 4¾% due January 15, 1979	2,250,000	211,500
Series G — 5¾% due April 15, 1983	5,145,000	140,000
Series H — 5¾% due March 1, 1988	9,971,500	176,500
Series I — 6½% due May 1, 1992	4,740,000	130,000
Series J — 9¾% due December 15, 1994	8,000,000	208,000
	<u>34,656,000</u>	<u>1,624,250</u>
Deduct current maturities	<u>1,624,250</u>	<u>—</u>
Long-term debt less current maturities	<u>\$33,031,750</u>	<u>\$1,624,250</u>

The long-term debt outstanding is stated after deducting \$45,000 Series G and \$138,500 Series H bonds which have been purchased and are held for future sinking fund payments.

The trust deed securing the first mortgage bonds imposes certain restrictions on the payment of dividends and management fees and upon the redemption or repayment of the company's preference and common shares.

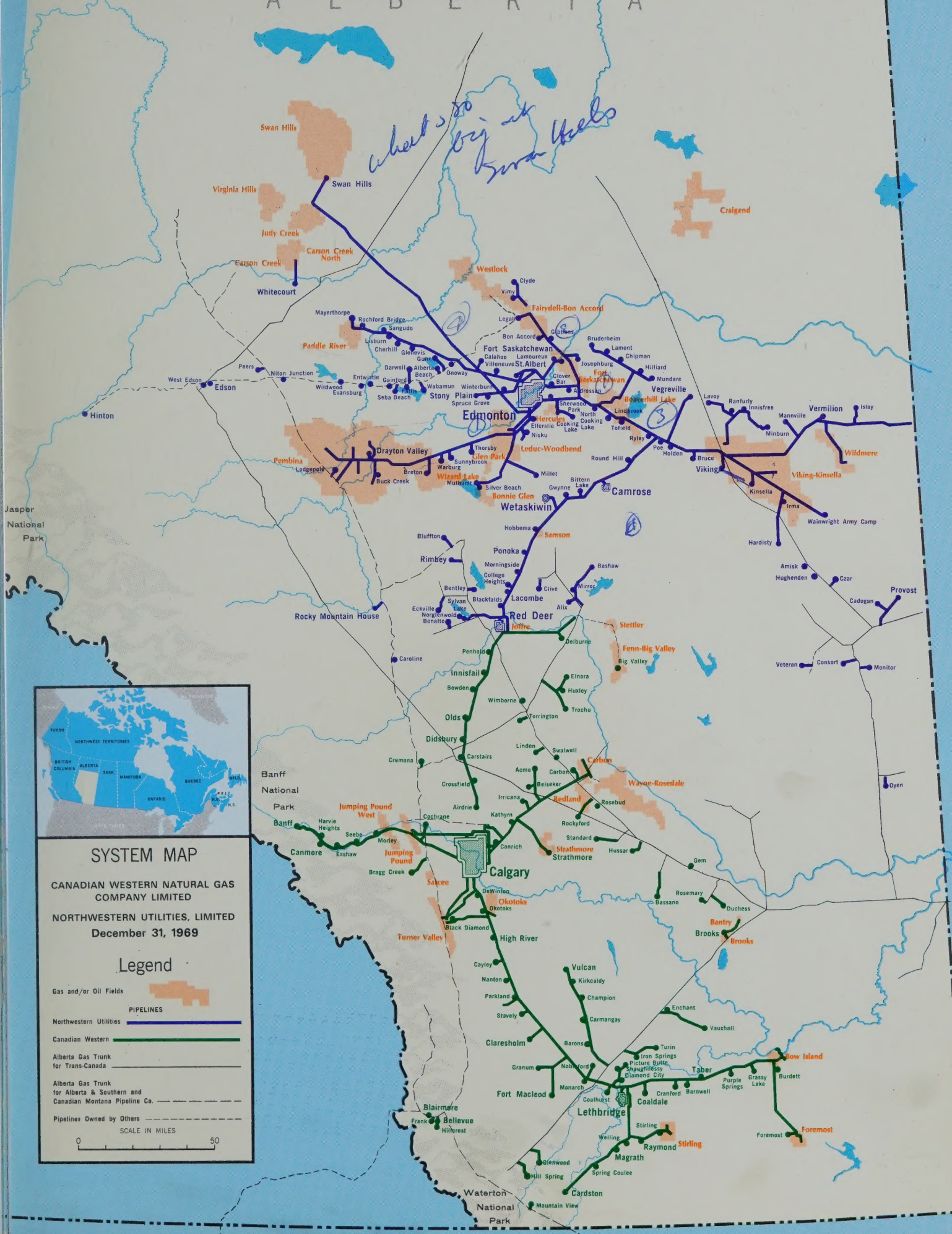
3. In fixing rates, except for the matter referred to in the succeeding paragraph, the Public Utilities Board of the Province of Alberta permits the company to recover only taxes payable currently and accordingly, to the extent that capital cost allowances are claimed in excess of the depreciation recorded in the accounts, there has been a related reduction in the amount of income taxes otherwise payable.

The company is permitted, however, to record deferred tax credits in respect to the acquisition of natural gas rights for its utilities systems, but, at the specific request of the City of Edmonton it has agreed with effect from January 1, 1967 to amortize such deferred tax credits by credit to the annual provisions for income taxes over a 10 year period.

The effect of the reductions in the annual provisions for taxes on income resulting from the use of the methods referred to in the two preceding paragraphs as compared to the annual provisions on a full tax allocation basis is that the provisions have been reduced by \$211,373 in 1969 (\$215,300 in 1968). The cumulative amount of deferred tax credits to December 31, 1969 is \$3,308,000 of which \$990,838 has been recorded in the accounts.

4. The company, together with certain of its affiliated companies, has in effect a pension plan covering substantially all of its employees. At December 31, 1969, the company's share of the aggregate unfunded past service liability, being amortized over a period of approximately twenty years, amounted to approximately \$895,000.

what's so big about Swan Hills



SYSTEM MAP

CANADIAN WESTERN NATURAL GAS COMPANY LIMITED
NORTHWESTERN UTILITIES, LIMITED
December 31, 1969

Legend

Gas and/or Oil Fields

PIPELINES

Northwestern Utilities

Canadian Western

Alberta Gas Trunk
for Trans-Canada

Alberta Gas Trunk
for Alberta & Southern and
Canadian Montana Pipeline Co.

Pipelines Owned by Others

SCALE IN MILES

0 50

